

CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

FALKLAND ISLANDS
SITUATION REPORT #32

Falkland Islands Situation Report, No 32
Information as of 1700, 30 April 1982

Argentine Reaction to US Tilt

US press correspondents report that Argentina was "stunned" by the announcement of US sanctions. The government delayed disclosing the measures for two hours and has still not responded to them. [REDACTED]

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In New York, Foreign Minister Costa Mendez reiterated Argentina's readiness to comply with UN Security Council Resolution 502 "in its entirety," but only if Argentine sovereignty over the Falklands could be assured before negotiations begin. He also apparently contradicted Secretary Haig's statement that Argentina had rejected the US proposals, stating that Buenos Aires has made "observations" about the plan rather than rejecting it outright. [REDACTED]

25X1

Comment: Although the Argentines have been expecting the US tilt, the sanctions may not have been anticipated. [REDACTED]

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Costa Mendez's statement is a last-ditch effort to ensure a public impression that Argentina remains amenable to a diplomatic settlement. His response, however, represents no change in the Argentine position. [REDACTED]

25X1

The View From London

British Foreign Secretary Pym welcomed Washington's decision, expressing hope that US support for Britain could yet convince Argentina to accept a negotiated settlement. He was unwilling, however, to speculate on the extent to which the US decision would affect prospects for military confrontation. Pym will travel to Washington for talks with US officials over the weekend to discuss "the next steps" and will also fly to New York for meetings with the UN Secretary General. [REDACTED]

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Pym was skeptical of Costa Mendez's statement that Buenos Aires would accept UN Resolution 502, noting that it had "shown no signs of doing that at the moment." [REDACTED]

25X1

Comment: The trip to Washington will reinforce perceptions everywhere of solid Anglo-American cooperation. Pym's visit to New York seems to be a shift away from London's previous reluctance to explore UN mediation beyond Security Council Resolution 502. The Thatcher government hopes it will work, but also hopes to put pressure on Argentina and put its domestic critics on the defensive. Should Buenos Aires remain adamant on the question of guaranteed sovereignty despite Pym's efforts in

TOP SECRET [REDACTED]

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New York, it would be difficult for Thatcher's critics to reject military action in favor of prolonged, and apparently fruitless, negotiations. [REDACTED]

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Buenos Aires Moves to Conserve Foreign Exchange

The Central Bank has notified all Argentine financial institutions that neither payments abroad nor commitments for future payments may be made without the Central Bank's prior authorization. The government also announced strong import controls. [REDACTED]

Comment: The import controls were taken to guard against a big boost in shipments in view of hoarding by businessmen in anticipation of a devaluation of the peso. An unrestrained acceleration in imports would further damage Argentina's foreign exchange position. [REDACTED]

Venezuelan Sanctions Against Britain

The Venezuelan press quotes President Herrera as saying that trade between Venezuela and Britain has come to a standstill because of the Falkland crisis. [REDACTED]

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China's Role as Security Council President

China tomorrow will assume the presidency of the UN Security Council for May. To date, Beijing has adhered to the Nonaligned Movement's recognition of Argentina's claim of sovereignty over the Falklands while stressing the need for a diplomatic settlement.

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Comment: China is likely to maintain an even-handed approach to the dispute while presiding over the Security Council. China remains apprehensive over the potential impact of the dispute on its relations with Britain and for the status of Taiwan and Hong Kong. Nevertheless, if hostilities do break out and Argentina had strong Third-World backing, China would probably support Argentina's position in the UN.

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